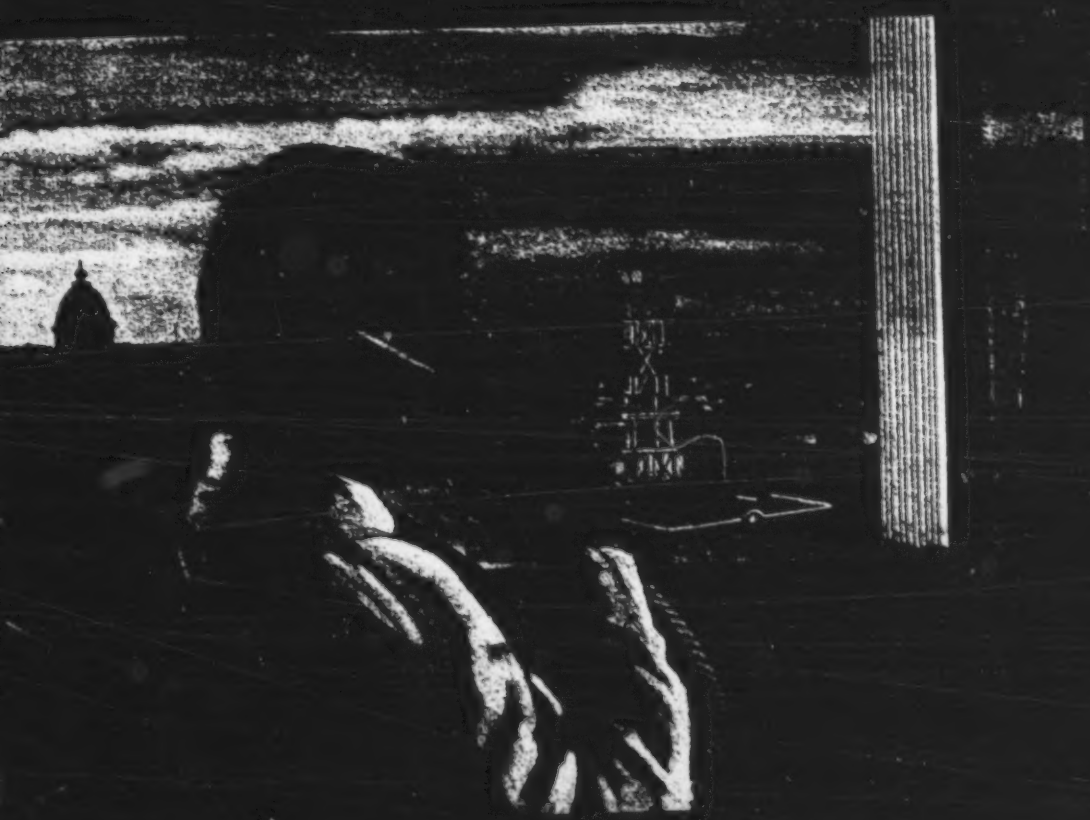
SaskTel

Annual report 1985



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About the artist

The illustrations in this annual report were produced by Oni (Bob Onufreychuk), an award-winning artist born in Saskatchewan who recently relocated to Newmarket, Ontario. His career as a commercial illustrator included 13 years in New York.

Letter of transmittal

Regina, Saskatchewan
March 27, 1986

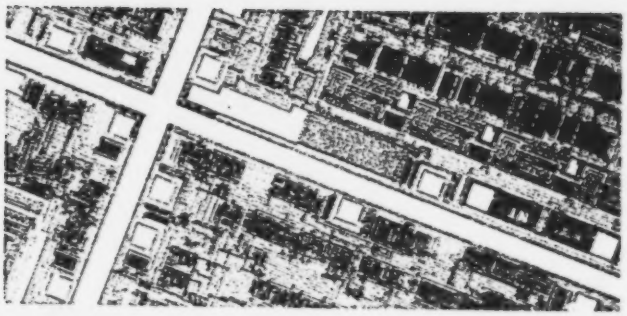
To His Honor
The Honorable F.W. Johnson
Lieutenant Governor of the
Province of Saskatchewan

Dear Sir:

I have the honor to submit herewith the annual report of Saskatchewan Telecommunications for the year ending December 31, 1985, including the financial statements therefor, duly certified by the Provincial Auditor, and in the form approved by the Treasury Board, all in accordance with The Saskatchewan Telecommunications Act.

I have the honor to be, Sir,
Your obedient servant,

Hon. J. Gary Lane, Q.C.
Minister Responsible for
Saskatchewan Telecommunications



On the road to the future

The evolution continues

Just as the Saskatchewan road system has evolved from crude mud trails into modern, all-weather highways, so too has the province's telecommunications network evolved from bare copper wire strung on wooden poles to sophisticated fiber optic transmission links.

Like the highway system, the telecommunications network has been continually expanded and improved over the years to meet changing needs. The early roads carried horse-drawn buggies and wagons; turn-of-the-century steel and copper strands carried only voices. Today's super highways transport high-powered family cars and huge semi-trailers; the telecommunications system delivers computer information and television pictures alongside telephone conversations.

Saskatchewan's road system and the telecommunications network are similar in another way. They connect virtually everyone in the province, allowing residents to keep in touch in person or by phone. Both systems are extensive because of the province's large geographical area and scattered population. Saskatchewan boasts 207,500 kilometres of road surfaces, more than any other province in Canada. The telecommunications network, on the other hand, includes more than seven million circuit kilometres of transmission facilities. Its new fiber optic system, when completed in 1984, was the longest of its kind in the world.

While the long distance network, like the provincial highways, provides a vital link between communities, another system exists within the communities themselves. This local network is not unlike the avenues and streets found in Saskatchewan's cities and towns. Using silicon chip technology, computerized switching equipment routes calls throughout communities and onto the long distance network.

Neither the highway nor the telecommunications system exist solely to transport people and messages within

provincial boundaries. They are each interconnected with similar national and international networks and can be used 24 hours a day, every day of the year.

Laying the foundation for the future

Within SaskTel's network, the road to the future is well under way. Each new kilometre of optical fiber and each new computerized switching machine brings the corporation closer to its goal of establishing an all-digital network.

The fiber optic highway that connects 52 of the province's largest centres is a vital part of SaskTel's future integrated services digital network. As the foundation for the years ahead continues to be built, the benefits of the Information Age will be extended to all areas of the province.

With an all-digital network, customers will be able to send and receive more than one kind of telecommunications signal simultaneously over existing telephone lines. It will be possible, for example, to talk on the telephone, send computer data or conduct a banking transaction, over the same line at the same time.

The Information Age takes shape

Computers. Video display terminals. Word processors. Talking cars and cameras. These are only harbingers of what is yet to come. The way people live and work continues to change, and the pace is quickening.

Saskatchewan people from all walks of life already benefit from the use of new telecommunications technologies . . . to summon stock reports, get emergency help, shop from home, send mail, sell cattle, purchase goods and services, take university classes . . . the list continues to grow.

The Information Age already is a reality for many. Nearly half of those working in North America earn their living by creating, gathering, processing, distributing, or using information. Data has become the dominant raw material of modern society—words, signals, equations, images, statistics—facts upon which individuals and businesses increasingly depend.

The hallmark of telecommunications is that progress never stops. And the journey on the road to the future promises to be as full of excitement as the past is full of achievement. By molding technology to fulfill customer needs, SaskTel will help to expand the horizons of the Information Age to the people it serves.

President's report

SaskTel's statistics have, for many years, provided interesting and useful glimpses of the sense of well-being felt by residents of the province. Prominent among these is the tendency of people to make long distance calls. In 1985, Saskatchewan people completed an all-time record of more than 104 million long distance voice and text messages, a significant increase from the 96 million reported for 1984.

Similarly, SaskTel's financial position remained strong for a third consecutive year. Operating revenues in 1985 for the first time exceeded $400 million. There was no general rate increase in 1985 for the second consecutive year. These strong financial results, and the benefits of the corporation's ongoing performance improvement programs, produced net earnings for 1985 of $37.0 million, which enabled the Board of Directors to declare a dividend of $18.5 million payable to the province early in 1986. Recognition for this succession of financially good years should also be directed to the corporation's employees, whose sense of dedication to high quality service to our customers is unsurpassed.

As SaskTel moves into the second half of the decade, I am pleased to report that the corporation has a solid foundation upon which to prepare for the future: a strong financial position, present and planned technology that will maintain the corporation's leadership in the industry, improving operating efficiencies, and as mentioned a body of employees whose spirit and dedication are outstanding. These will prove to be crucial assets in the years ahead in an industry where constant change is a fact of life.

Well before dial telephones came into common use our industry was accustomed to change, to incorporating advances which helped to provide better service more efficiently.

This ability to adapt has been fundamental to a goal shared by every telephone company in Canada: universal access to service at a reasonable price. In Saskatchewan, that principle has been implemented successfully to an extent that, I believe, goes well beyond the most optimistic visionaries among our founders.

While that goal is largely achieved today, advances in the technologies that helped us to achieve it continue. The pace is accelerating, giving rise to a host of related non-technical issues with the potential to place at risk the quality of service our customers traditionally expect.

As the evolution of these technologies accelerated, they have left behind a Canadian regulatory environment that is founded, for the most part, on legislation half a century old. It should not be surprising therefore that there are challenges to long-established regulatory practices and theories. These challenges are causing reviews of a somewhat muddled division between federal jurisdiction and varying provincial jurisdictions. Of equal importance to operating companies, this rapid pace of change in an environment of uncertain ground rules is the cause of apprehension among customers, employees, and owners.

The need to resolve these regulatory and jurisdictional issues grows more urgent as we move farther into an era in which information has become a resource as valuable today as the traditional extractive natural resources have been to the industrial age. Organizations today depend for their continued well-being, often their survival, upon timely and cost-efficient information. SaskTel, like the other telecommunications companies in Canada, is capable of meeting these needs now, but to prepare for the future we need an understanding of longer-range public policy imperatives.

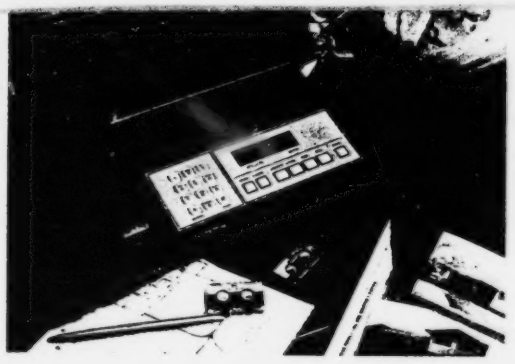
These imperatives have an added dimension for Crown corporations, which are, in effect, organizations which attempt to apply the principles of sound business management while serving the widest possible public interests. That added dimension carries special challenges that cannot be met successfully without the active support of the government, which represents the people of Saskatchewan.

In this, my final report before retiring as president, I want to acknowledge the support provided to my office by the Board of Directors and Garth Kennedy, who became chairman during the past year, and by the Hon. Gary Lane, who was the minister responsible for SaskTel throughout my term as president.

Acknowledgment is certainly due also to the executive and operating officers of the corporation, to whom I am deeply indebted for the generosity of their support and their commitment to the corporation.

In almost 39 years at SaskTel it has been my privilege to have worked with many employees. I have never ceased to be impressed by the spirit and dedication of SaskTel people. It is to them that the people of Saskatchewan must continue to look for a quality of telecommunications service that is unsurpassed anywhere.

Frank A. Degenstein
President



Review of operations

Exploring opportunities

New technology is rapidly increasing the usefulness of telecommunications both in the office and at home, and SaskTel's advanced network has the flexibility to extend its benefits to customers throughout the province.

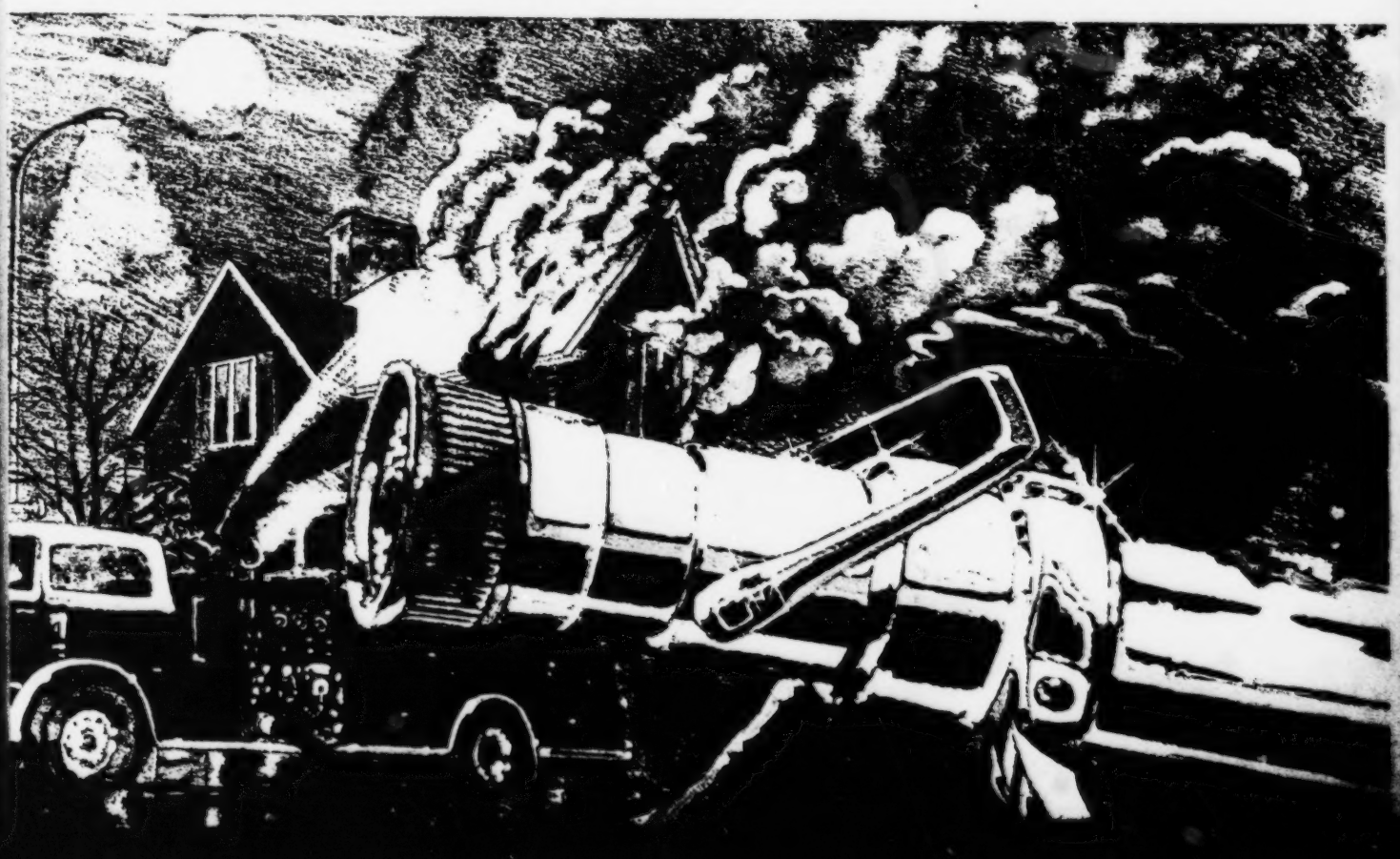
During 1985, SaskTel took further advantage of new technology to better position itself to identify and meet the ever-expanding needs of its customers.

SaskTel is constantly exploring new service enhancements for both business and residential customers. The corporation's efforts in 1985 were directed toward the introduction of innovative products and services.

Service milestone

The number of long distance messages originating within the province during 1985 exceeded 100 million for the first time. Representing an increase of 8.3 percent over the previous year, the 104.4 million long distance messages are more than double the 44.3 million made only a decade ago. Customer-dialed long distance messages accounted for 87.5 percent of the 1985 total with the remainder being handled by telephone operators.

At year end, more than 724,000 telephones were leased from SaskTel across the province. While many residential customers have opted to buy their own extension telephones, others elected to continue to lease telephones for reasons of convenience and no charge maintenance. Still others bought lower-priced refurbished units and existing in-place telephone sets from the corporation.



The 1985 gain of 1.8 percent in SaskTel-owned telephones over the year was a result of the connection of 190,000 instruments to the system and the disconnection of 177,000.

As a member of Telecom Canada, an affiliation of nine of Canada's largest telecommunications companies, and Telesat Canada, SaskTel works closely with other members to jointly plan facilities and coordinate the introduction of new nation-wide services.

In mid-year Telecom Canada announced that construction would begin immediately on the first coast-to-coast fiber optic network. To be completed by 1990, the 7,100 kilometre network will cost about $300 million. Each member company will be responsible for building its section of the new network. This will ensure an economic boost to local manufacturers and contractors who will do the majority of the installation. Work on the Saskatchewan portion of the new network will begin in 1986.

An evolving digital network

SaskTel has long enjoyed its reputation as a technological leader in the telecommunications industry.

In today's operating environment the need to modernize the network is driven by customer demand for advanced services—a demand which will continue to accelerate. As in previous years, careful planning was necessary to ensure maximum benefits were derived from large capital expenditures and evolving technologies.

Facing page, left—SX-20 console
Facing page, right—Code-A-Phone
Above—Superphone

Below—In 1985 Regina residents became the first in the province to have emergency access to police, fire, and ambulance services by calling 9-1-1.

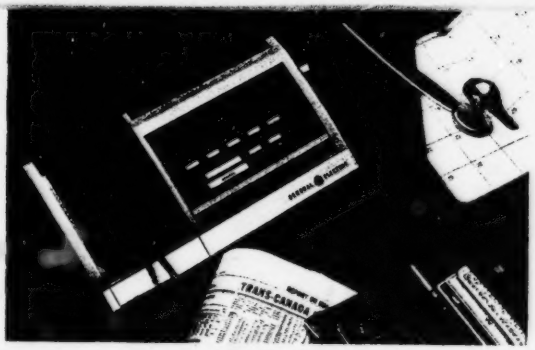
SaskTel invested $108.8 million in 1985 to improve, upgrade, and expand network facilities and associated equipment. A significant portion of the expenditure was for the installation of digital systems. As a result, the corporation made steady progress toward its long-term goal of having an all-digital network in place by the end of the 1990s.

Digital switching and transmission equipment is extremely versatile, capable of moving large volumes of information at high speeds and with extraordinary accuracy. Cost-effective digital systems transmit all forms of information—video, voice, data, and text—in "bit" format, the coded, on-off language of the Information Age.

The North Saskatchewan Toll Modernization Program, which involves the rerouting to Saskatoon of long distance traffic from smaller communities, was on schedule at year end. In 1985, as part of the ongoing program, four more communities had their long distance connection facilities rerouted into Saskatoon. A similar network modernization project was completed in the southern half of the province last year and, by the end of 1986, the northern part of the province will be completed.

This province-wide system rearrangement is providing customers in smaller centres with faster, higher quality, more reliable long distance services. In addition, the changes provide access to the many advanced features of digital switching.

In conjunction with this modernization program, access to the long distance network by subscribers living in many smaller rural communities has been



simplified. Early in 1986, the remaining two percent of subscribers still using the three-digit access code ("112") will be able to gain access to the province's long distance service by dialing only one digit ("1").

Twelve communities received cable TV signals for the first time in 1985, bringing the number of Saskatchewan communities with cable TV service to more than 80. Seven of these 12 communities received cable TV service under the new rural service TV program which allows cable operators to build and maintain coaxial distribution systems in smaller communities. Cable television subscribers within Saskatchewan receive signals through the corporation's fiber optic system and via Telesat Canada satellite.

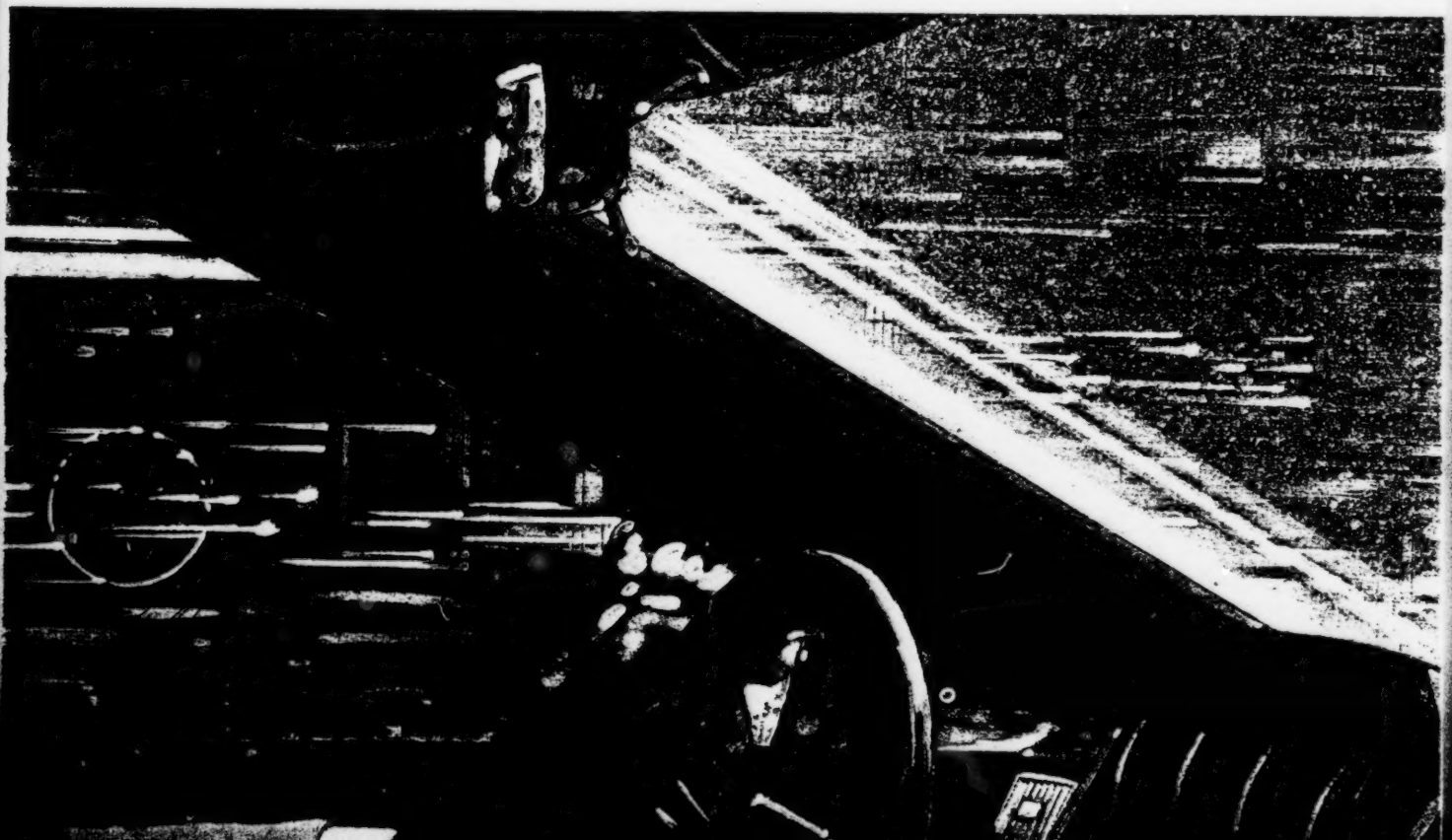
A study on the economic and technical feasibility of extending individual line service to all areas of the province was submitted to the corporation's board in the latter part of 1985. As the year drew to a close, the various recommendations of the report were being examined in detail. The year-long feasibility study, which began in mid-1984, was undertaken to find the quickest, most economical way of bringing individual line service to nearly 70,000 multi-party line subscribers, approximately 15 percent of the telephone subscribers in the province. The majority of these live in small rural communities and on thousands of farms.

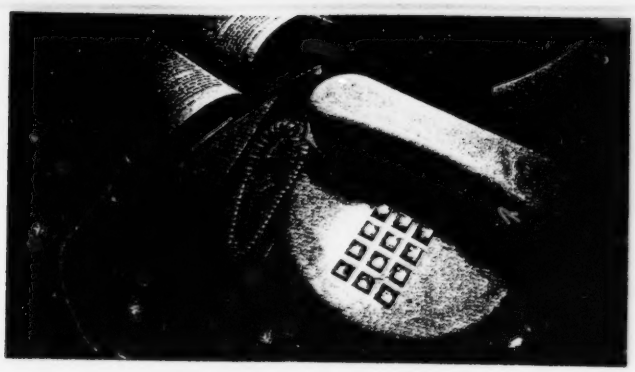
Digital all the way

By continually expanding and modernizing its network, SaskTel

Facing page—Smart Set
Above, left—Page Call unit
Above, right—Clock-radio telephone

Below—AutoPhone service is dramatically changing mobile-telephone communications in Saskatchewan.





has evolved one of the world's most sophisticated telecommunications systems.

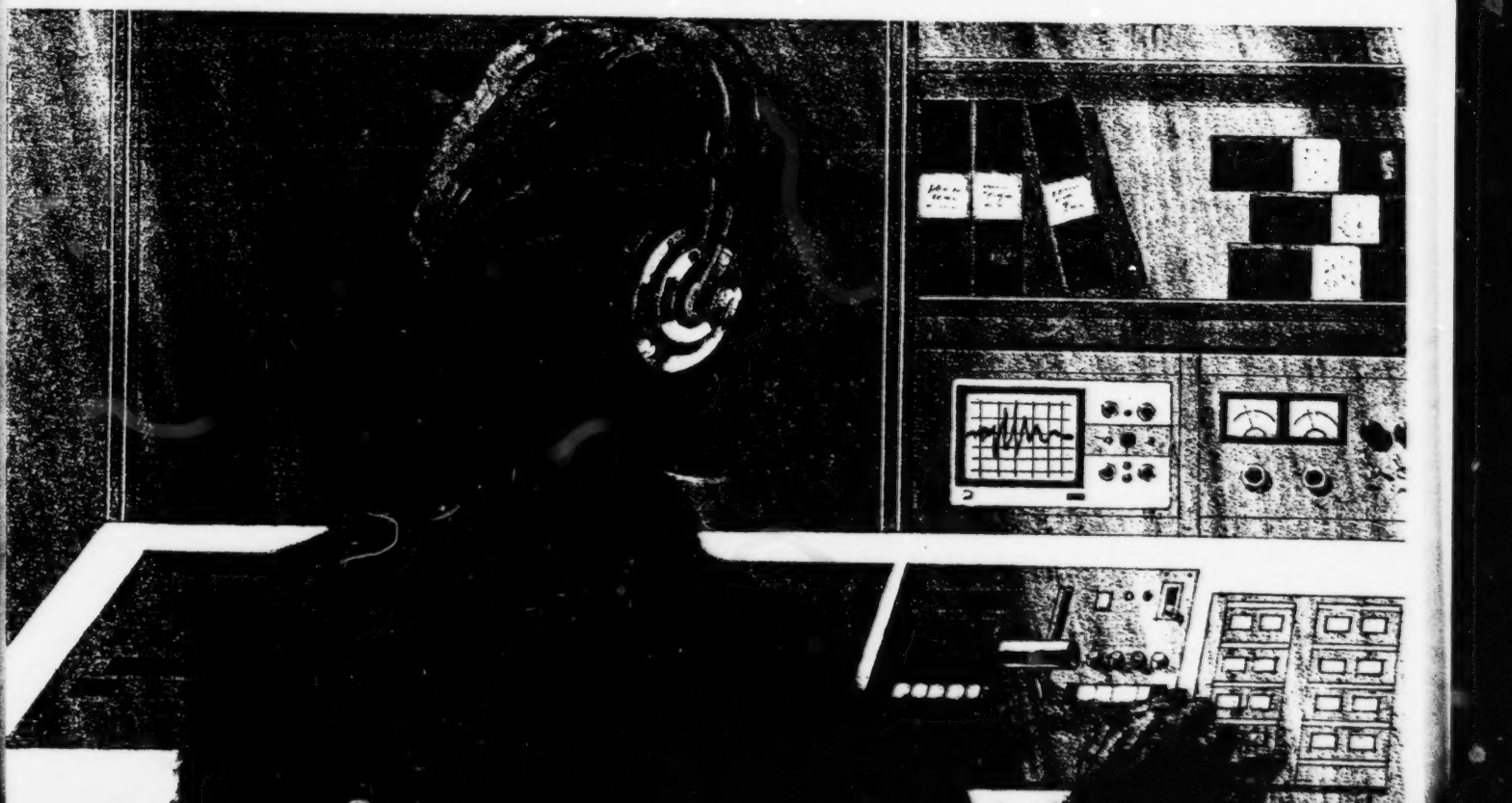
A number of increases to the capacity of digital transmission systems were initiated or completed during the year. The major ones involved increasing the number of long distance voice and data channels on selected fiber optic routes.

Testing of higher data transmission speeds on certain sections of the province's 3,268-kilometre fiber optic system was still in progress at year end. With fiber optic systems, capacity increases can be accommodated when and where required by changing electronic components along the routes rather than by installing additional cable.

Major switching system improvements were also carried out in a number of communities in 1985. The largest completed project involved the 11,000 lines that provide specialized telecommunications services for the federal and provincial governments.

As part of a five-year program to replace older electro-mechanical switching equipment with digital switching systems, work continued on their installation in six communities located in the corporation's north division. Included in this multi-million dollar modernization program are more than 18,000 local lines located in Humboldt, Kindersley, Melfort, Nipawin, Rosetown, and Tisdale which will go into service in 1986.

The digital switching and transmission facilities that became operational in 1985 took SaskTel closer to its all-digital goal. At year end, 43 percent of all long distance



trunk lines were digital, as was 14.2 percent of switching equipment for local lines.

Other construction projects
Four major building construction projects were completed throughout the year. The consolidation of a number of operations scattered throughout Regina took place with the completion of a $3.2 million multi-purpose building in November. A month earlier, a 1,600 square metre addition to the corporation's main exchange building in Prince Albert was finished at a cost of $1.6 million. The extension will contain a new business office and provide space for modern Traffic Operator Position System (TOPS) units.

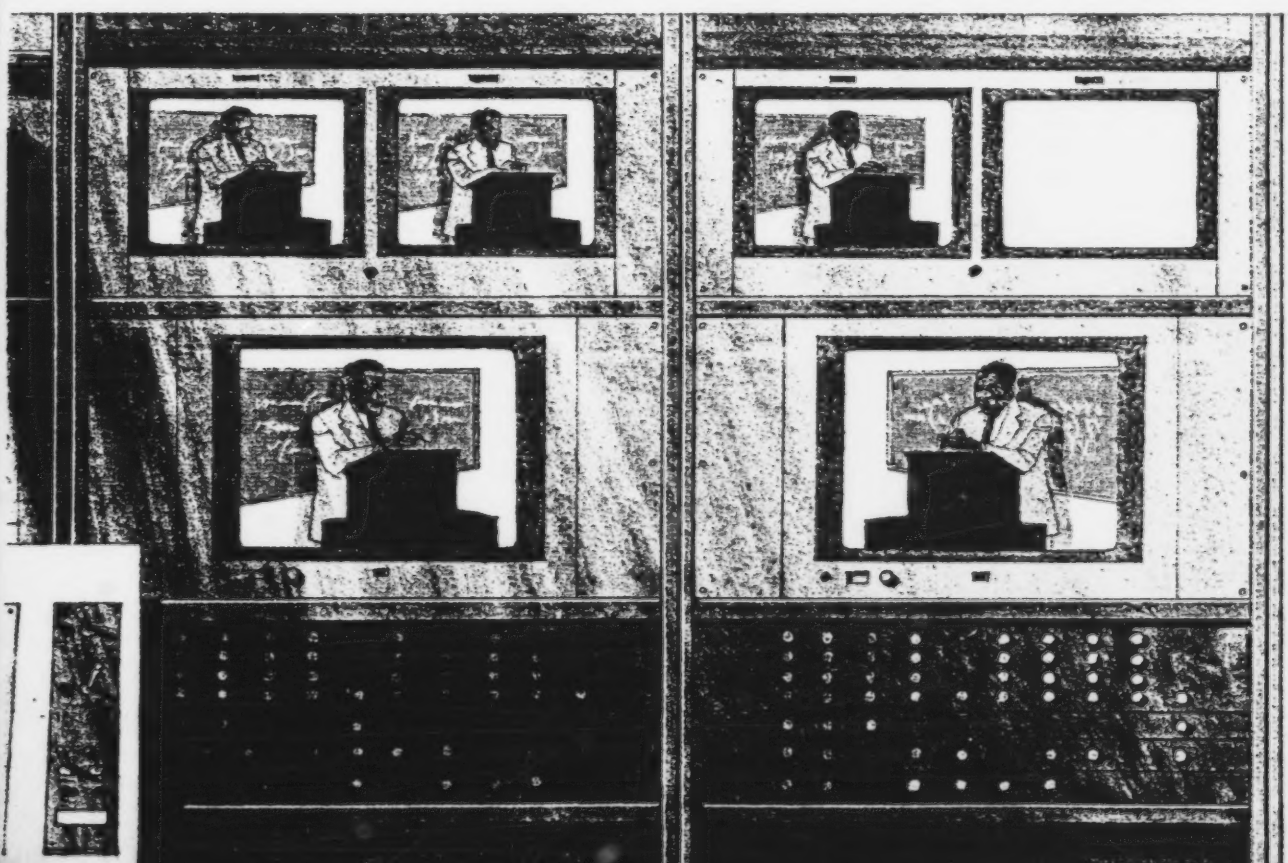
A Melfort exchange building to house new digital switching equipment, TOPS units, and staff, was completed in June. The same month a new $712,000 warehouse addition went into operation in Saskatoon to improve the distribution of customer equipment and supplies.

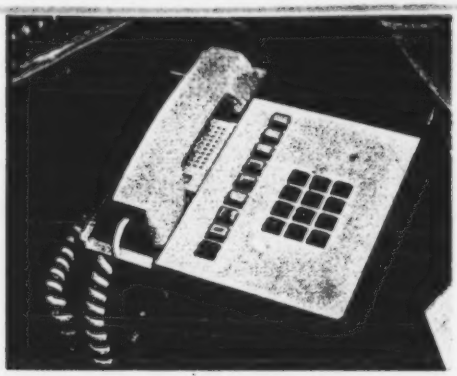
In addition, major renovations and upgrading projects were carried out at a number of locations in Regina and Saskatoon. A province-wide $1.4 million program was completed to renovate and upgrade 67 community dial office buildings to conform with corporate standards. As well, small building additions and upgrades were carried out at 13 locations at a cost of a further $1.4 million.

Delivering the benefits
With a technically advanced network and an ongoing

Facing page—Athena
Above, left—Prism
Above, right—Styline

Below—The University of Regina delivers interactive educational courses live to classroom students in other communities through SaskTel's fiber optic network.





commitment to high-quality service, SaskTel continued bringing customers the benefits of new technology.

Subscribers in 80 communities were provided with Direct Dialing Overseas service, bringing to 86 the number of communities with this modern convenience. At year end it was possible to dial direct to 80 countries.

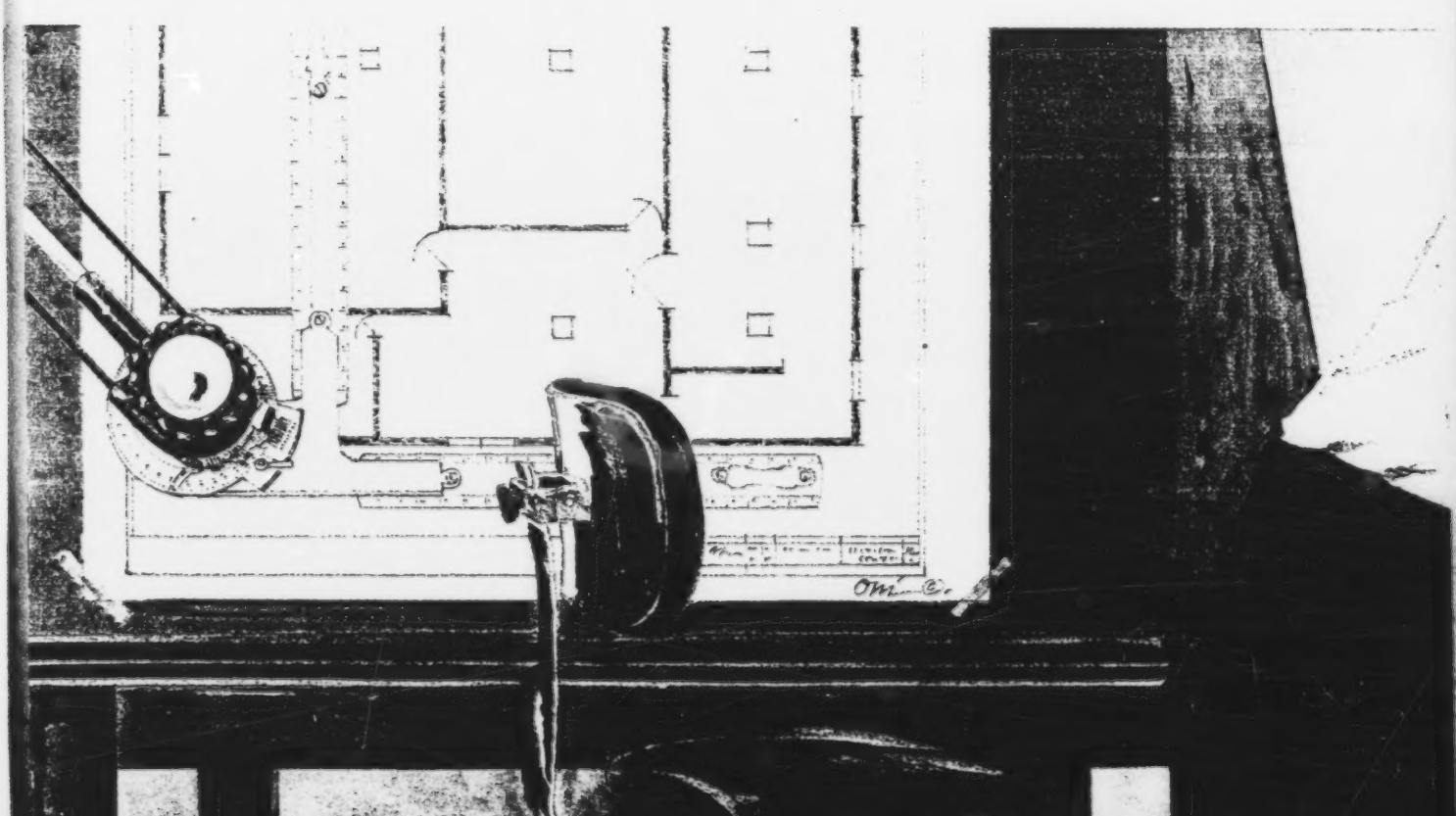
Zero-plus service, which increases the speed and efficiency of operator-assisted long distance calls, was extended to 11 communities. By year end, customers in 109 communities had access to this service.

The corporation extended Automatic Number Identification (ANI) service, which allows subscribers to place long distance calls without having to give their telephone number to the operator, to another 10 communities during the year. At the end of 1985, 85.9 percent of the province's telephones were served by ANI exchanges.

Telephone users in Briercrest received Extended Area Service (EAS), further increasing the number of communities with this service, which allows subscribers to make toll-free calls to a larger geographical area. Subscribers must vote in favor of the new service and agree to pay a higher monthly service rate.

A proposed new long distance service called Dialpac was before the Public Utilities Review Commission at year end. Subscribers in five communities, who took part in a Dialpac trial, still have access to this long distance discount service.

The communities of Albertville, Kendal, Leross, Major, and the resort village of Buena Vista were upgraded from multi-party line to individual line service.



Market leadership
By adopting a "Total Telecommunications" marketing concept, SaskTel recognizes the importance of offering its customers total system solutions and accepting the end-to-end responsibilities for meeting their information handling needs, particularly in the business sector.

As well as expanding the availability of custom calling features such as call forwarding, call waiting, three-way calling, and speed calling, a number of new services were introduced to help business customers improve productivity and reduce business operating costs.

SaskTel continually strives to develop new services to help customers take full advantage of continuing technological developments. In addition, its flexible organizational structure responds quickly and effectively to the ever-changing needs of the marketplace. By focusing on key market segments, SaskTel was able to use its service resources more effectively.

9-1-1 emergency service
Regina became the first community in the province to have 9-1-1 (nine-one-one) emergency telephone service when a sophisticated system went into operation in November.

The 9-1-1 service provides Regina citizens with quick and convenient access to police, fire, and ambulance assistance. The three-digit telephone number is universally recognized

Facing page, left—Superset 4
Facing page, right—Delphi 6
Above—Electra 16/48

Below—Business customers can select products and systems to suit their individual needs from a new Business Communications Centre in Saskatoon.

throughout North America and easy to remember should an emergency arise. Emergency calls are answered 24 hours a day, seven days a week by specially-trained operators at the Regina Police Service communications centre.

One of the most advanced of its kind in North America, the Regina 9-1-1 system identifies the caller's telephone number and the location from which the call is being made. This special feature has a two-fold purpose: if a caller cannot provide complete information appropriate action still can be taken; and it identifies the location from which a nuisance call has been made—something not possible with less sophisticated systems.

Requests for 9-1-1 service are initiated by communities. All costs associated with implementing and operating the service, including staffing, are the responsibility of the community choosing to make 9-1-1 service available. The cost of modifications to SaskTel's central office switching equipment, if required, are borne by the corporation. SaskTel will also provide communities at no charge with consultation on developing 9-1-1 service.

A Canadian first

Swift Current shoppers were participating in an electronic funds transfer trial under way at year end. The project, which began in May 1985, is the first of its kind in Canada.

With this system a shopper has the option of paying for purchases with a plastic card which immediately deducts the appropriate amount from the customer's personal credit union account. The credit unions

involved anticipate that substantial long-term cost savings can be realized with an electronic rather than paper-based system.

The point-of-sale system uses the Datapac network, and terminals adapted by SaskTel, to transmit information to a host computer in Regina where the information is processed before being sent back to the cashier terminal in Swift Current, all within seconds.

SaskTel is participating in the project with Pioneer Credit Union, Western Credit Union, and the Pioneer Co-op, all in Swift Current, with the assistance of Credit Union Central of Saskatchewan, Co-operators Data Services, and Federated Co-operatives.

Building in quality

During 1985 SaskTel provided a specialized data communications system for the Dairy Producers Co-operative. The province-wide system connects the firm's head office in Regina with 23 branch offices and sales depots scattered throughout the province.

With 20,000 transactions daily and 1,300 different products, the cooperative uses its custom-designed system to speed up invoicing and improve cash flow. The organization, with sales exceeding $100 million annually, also uses the system to track sales, analyze inventories, and plan future product requirements.

New ways to learn

Following the successful completion of an educational field trial, the

Facing page—Handsfree 10
Above, left—Ditto Plus
Above, right—Harmony

Below—Canada's first trial of an electronic funds transfer at point-of-sale system is taking place at Swift Current.

University of Regina and SaskTel have agreed to work together on a four-year development program in distance education.

The project uses SaskTel's fiber optic system to enable students living hundreds of kilometres from Regina to participate in university classes without leaving their home communities.

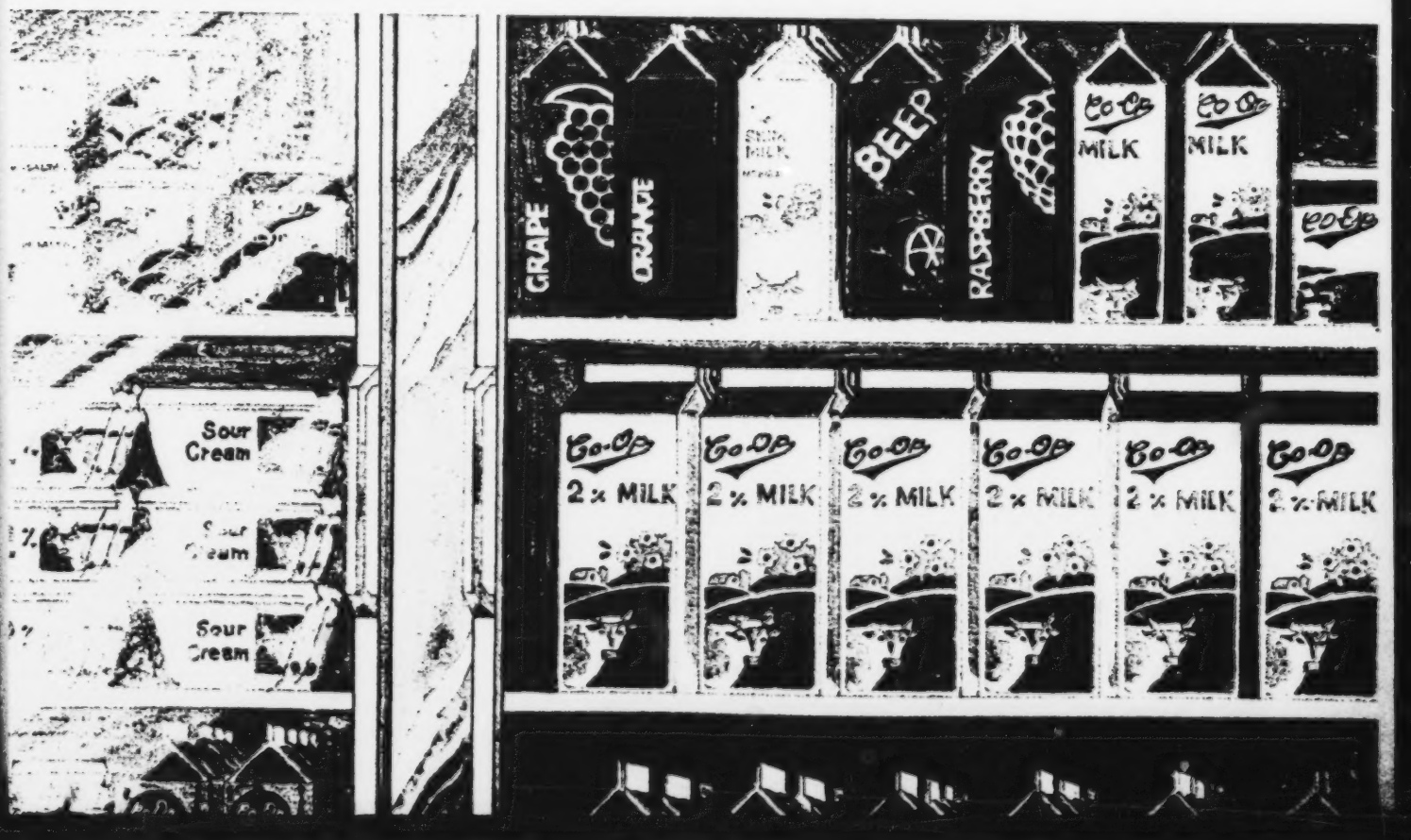
Under the project, a leading example of the use of distance education in western Canada, televised lectures originating at the University of Regina campus are transmitted live to out-of-town university students. Students in off-campus classrooms are able to participate in course discussions with students and the instructor in Regina through a voice link.

In the fall semester a total of 208 students from Estevan, Moose Jaw, Swift Current, Weyburn, and Yorkton, along with 60 Regina students, registered for distance education classes in social work, administration, psychology, and history.

AutoPhone introduced

A new type of service was introduced in mid-1985 which will expand and upgrade mobile telephone communications within Saskatchewan. AutoPhone, currently available to customers in Regina and Saskatoon, will be extended to other parts of the province over the next three years. Besides dramatically improving the features of mobile communications, the advanced system will relieve channel congestion being experienced in certain districts.

AutoPhone offers a number of features that make it superior to operator-assisted mobile telephone services. A major advantage is the user's ability to direct dial calls



without operator assistance. In addition, subscribers will not have to search for a free channel because the system automatically finds a channel that isn't busy. Other features available include a simultaneous talk-and-listen capability, which eliminates the need to press a button to talk and release it to listen; 20-number memory; and automatic last number redial. AutoPhone units can be purchased or leased under a variety of rental contracts.

Special communications

In February, the centre of attention for the Canadian news media was Regina where the Prime Minister and provincial Premiers gathered for the First Ministers' Conference on the Economy.

The challenge of providing all the necessary communications for both government officials and news media within a short time frame was met with enthusiasm and dedication. Some of the conference facilities provided by SaskTel included switchboards, local telephones, portable earth stations, and additional long distance circuits.

The number of Agritex subscribers continued to grow in 1985, providing people in the agribusiness community with instant gateway access to a number of data bases.

During the year a new Agritex development greatly improved the speed and reliability of the Agritex weather radar system which provides up-to-the-minute information on changing weather

Facing page—Trendline II
Above—Unity 2

Below—Dairy Producers Co-operative keeps an up-to-date, accurate record of orders and inventories by using a sophisticated data communications system developed by SaskTel.

patterns. Other Agritex services include commodity prices, stock and livestock reports, chemical and fertilizer information, farm management programs, and farm dealer information. In addition, Agritex also offers customers access to telebanking, teleshopping, and electronic mail.

Five new Telmarts

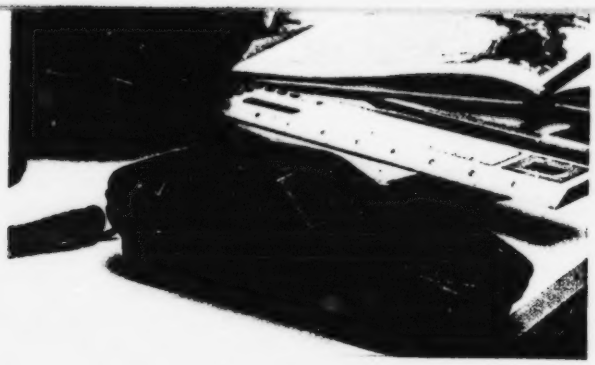
Residential customers in five more centres now have available a larger selection of quality telephone equipment as a result of the expansion of the Telmart concept. By the end of the year, Telmart retail sales outlets were in operation in the corporation's business offices in Prince Albert, Saskatoon, Swift Current, Weyburn, and Yorkton. The five Telmarts follow the award-winning design of the first retail outlet opened in Regina's Cornwall Centre in late 1984. In 1986, another Telmart will be built in Moose Jaw.

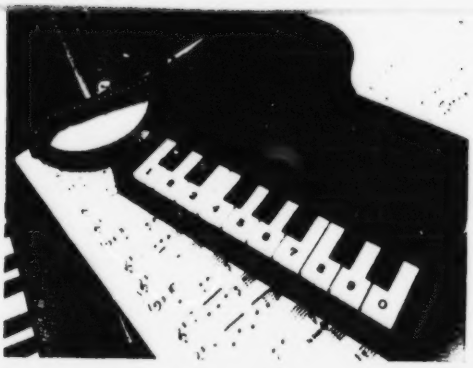
At year end, work was progressing on a Business Communications Centre project in Saskatoon. The display area will provide business customers with an opportunity to see new products in operation as they are introduced. Specially trained sales personnel will be available at the new centre to demonstrate the features of business products to prospective customers.

World-wide reach

Envoy 100, an electronic messaging service previously connecting customers throughout Canada and the United States, was expanded to include worldwide destinations. The new international Envoy 100 service connects to Telemail, the U.S. electronic mail service, and is now linked to worldwide Telex.

Envoy 100 service, which allows customers to compose, edit, send,





and receive messages between computer terminals, has been further extended with a toll-free 800 number. Subscribers in smaller Saskatchewan communities now can use the service without paying long distance charges. Previously, Saskatchewan subscribers outside of Regina, Saskatoon, Moose Jaw, and Prince Albert paid long distance charges for connection to the nearest centre. Discounts were introduced for volume usage and for the use of the service between 6 p.m. and 6 a.m.

Through an agreement with Canada Post and Purolator Courier, Envoy Post provides same or next business day delivery of printed Envoy 100 messages to any address in most major centres in Canada and the United States.

800 service extended

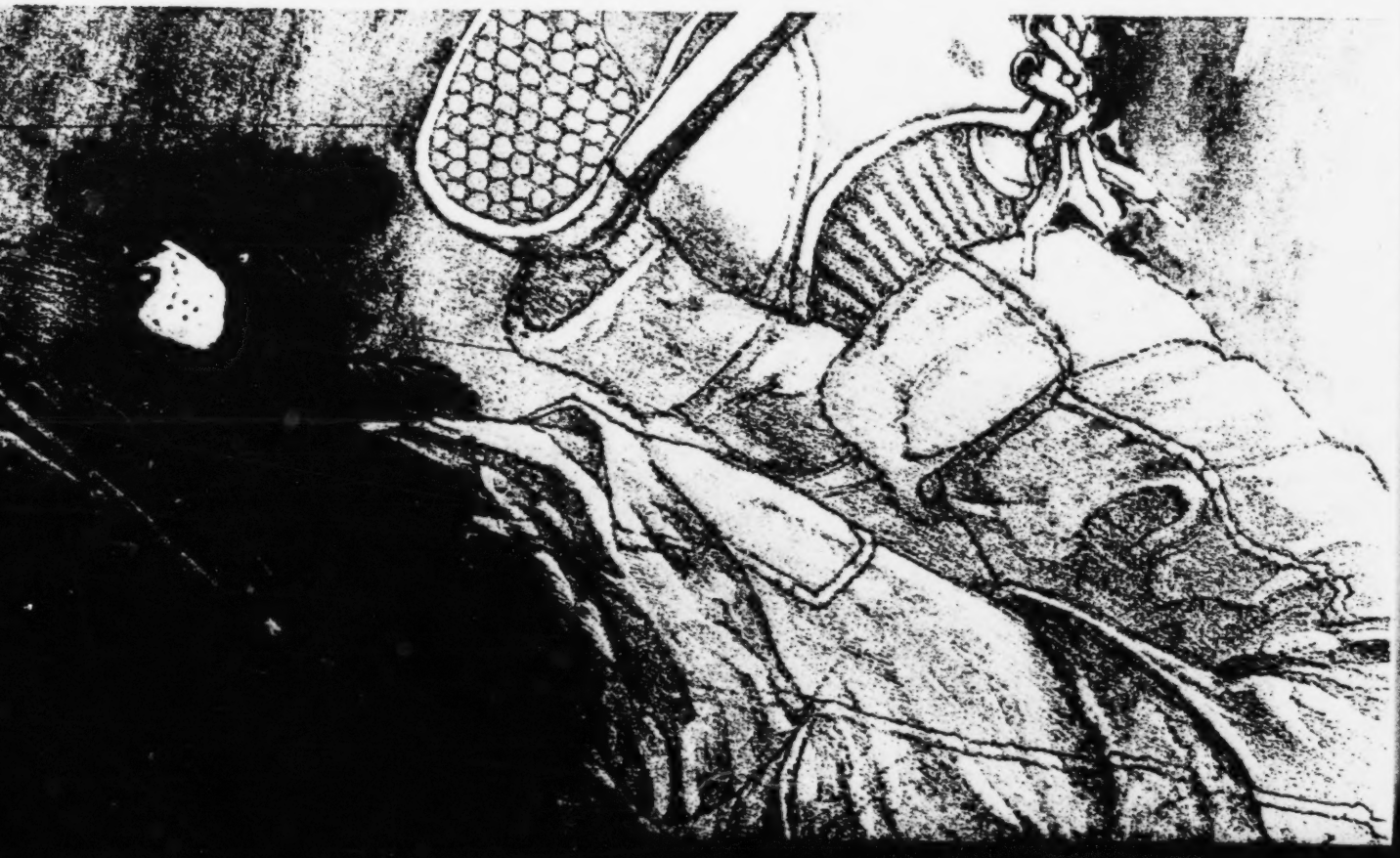
SaskTel's 800 service was extended to eight communities in 1985. Business customers in Biggar, Estevan, Humboldt, Kindersley, Melfort, Melville, Nipawin, and Swift Current can now receive calls from designated areas at no charge to the originating caller.

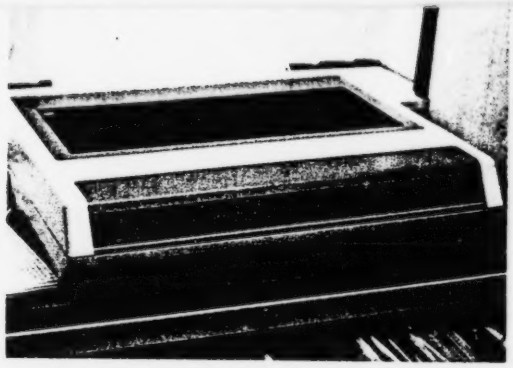
The 800 service, which can be purchased for specific geographical areas in Saskatchewan, Canada, and the United States, allows businesses to bulk-buy long distance calling time at reduced monthly rates.

Customers in 16 communities now use this cost-effective marketing tool to stimulate sales, improve customer service, broaden market coverage, and reduce sales costs.

Facing page—Big Button
Above, left—Porsche telephone
Above, right—Piano telephone

Below—Five new Telmart retail outlets provide residential customers with a wide choice of telephone equipment.





Organization and personnel

Technological commitment

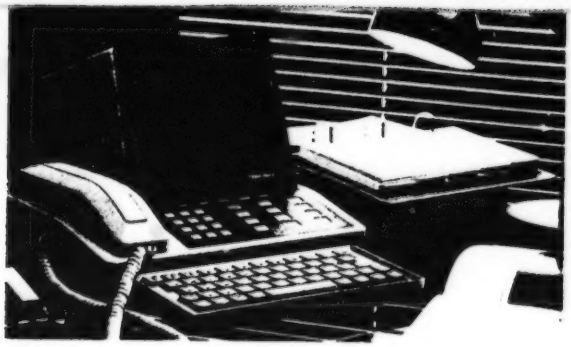
In addition to using technological innovations to benefit customers through new and improved services, SaskTel uses advanced computer-based systems to dramatically improve operating efficiencies. In recent years, automation of many procedures has helped to provide faster response to customer inquiries, process changes more efficiently, and quickly identify and correct malfunctions.

Through computer terminals, service representatives in business offices throughout the province now handle customer questions faster and more accurately using a new on-line system. Another mechanization milestone took place in November with the expansion of the material management inventory-control system to the 10 district warehouse locations. The computerized system will streamline the ordering and shipping of supplies and result in improved service to customers.

Another new computerized system, in the initial planning stages at year end, will mechanize procedures in the repair service bureaus to increase the efficiency of trouble reporting and testing facilities. Huge tubs of paper-based customer records and cord-and-jack testboards used with the old manual system will eventually give way to display screen terminals and computers.

Safety comes first

A continued emphasis on safety in 1985 brought the introduction of a number of new programs. Friendly competition at truck road-eos at eight district locations across the province took place as a way of



officially recognizing the corporation's best drivers. Another program resulted in hundreds of employees taking a one-day defensive driver training course with the assistance of the Saskatchewan Safety Council.

Family nights were also being organized in conjunction with a plan aimed at helping employees prevent off-the-job accidents.

Adapting to change

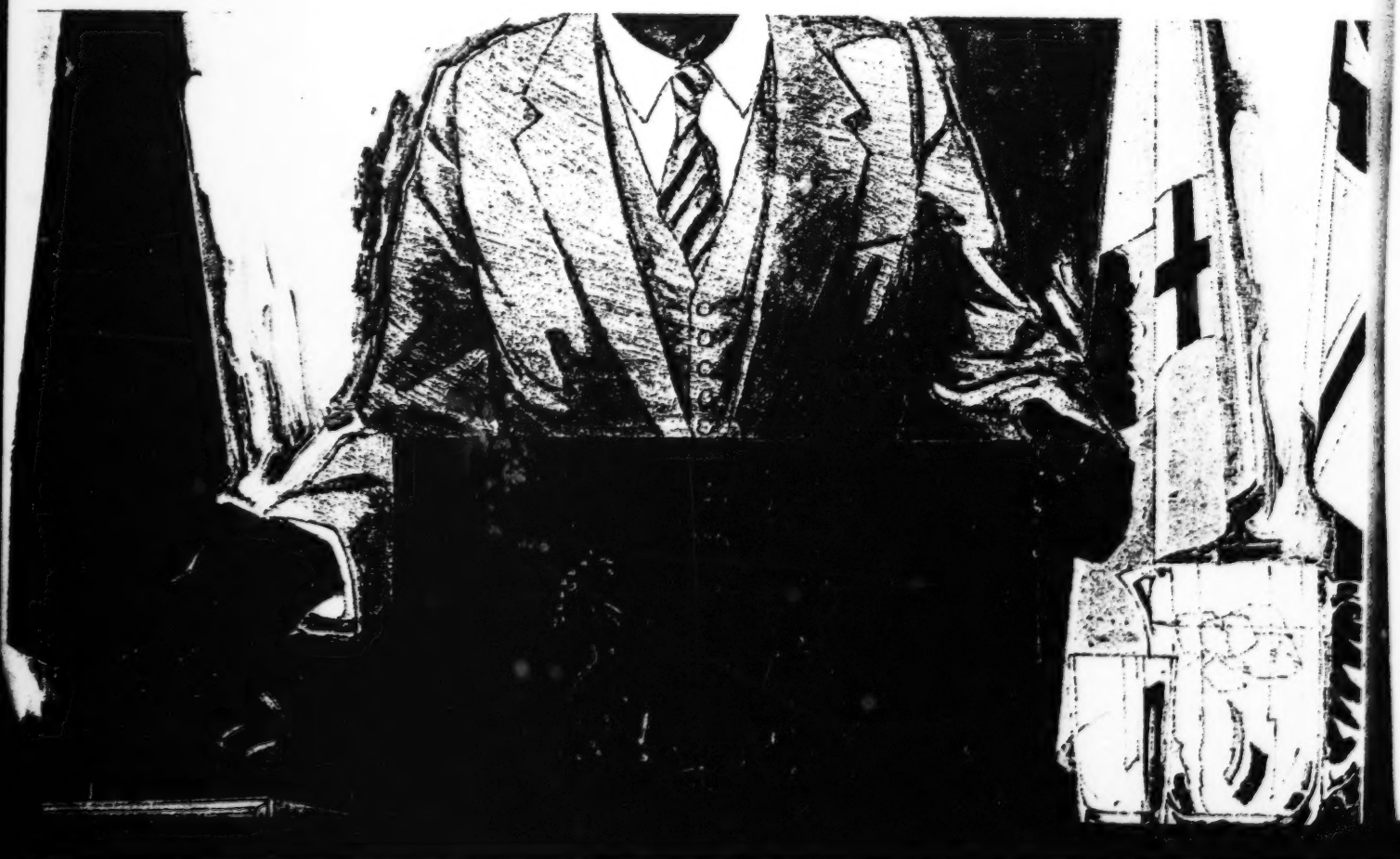
Helping employees adapt to change is crucial to SaskTel's ability to continue to deliver quality services to its customers. Numerous courses were taught in 1985, many dealing with new techniques and new technology, in order to provide employees with the skills necessary to cope with changes constantly taking place within the industry.

More than 13,500 person-days of training took place during the year as employees took one or more of 172 courses offered. In addition to in-house training, more than 300 courses were completed under the out-of-hour educational assistance program. Under the program, employees receive financial support for successfully completing approved courses.

Twenty-seven employees graduated from in-house computer programming courses developed jointly by SaskTel and the

Facing page, left—C.Itoh printer
Facing page, right—Telex 3270 display terminal
Above—Displayphone Plus

Below—Specialized communications systems are designed for important events such as the First Ministers' Conference held in Regina early in 1985.



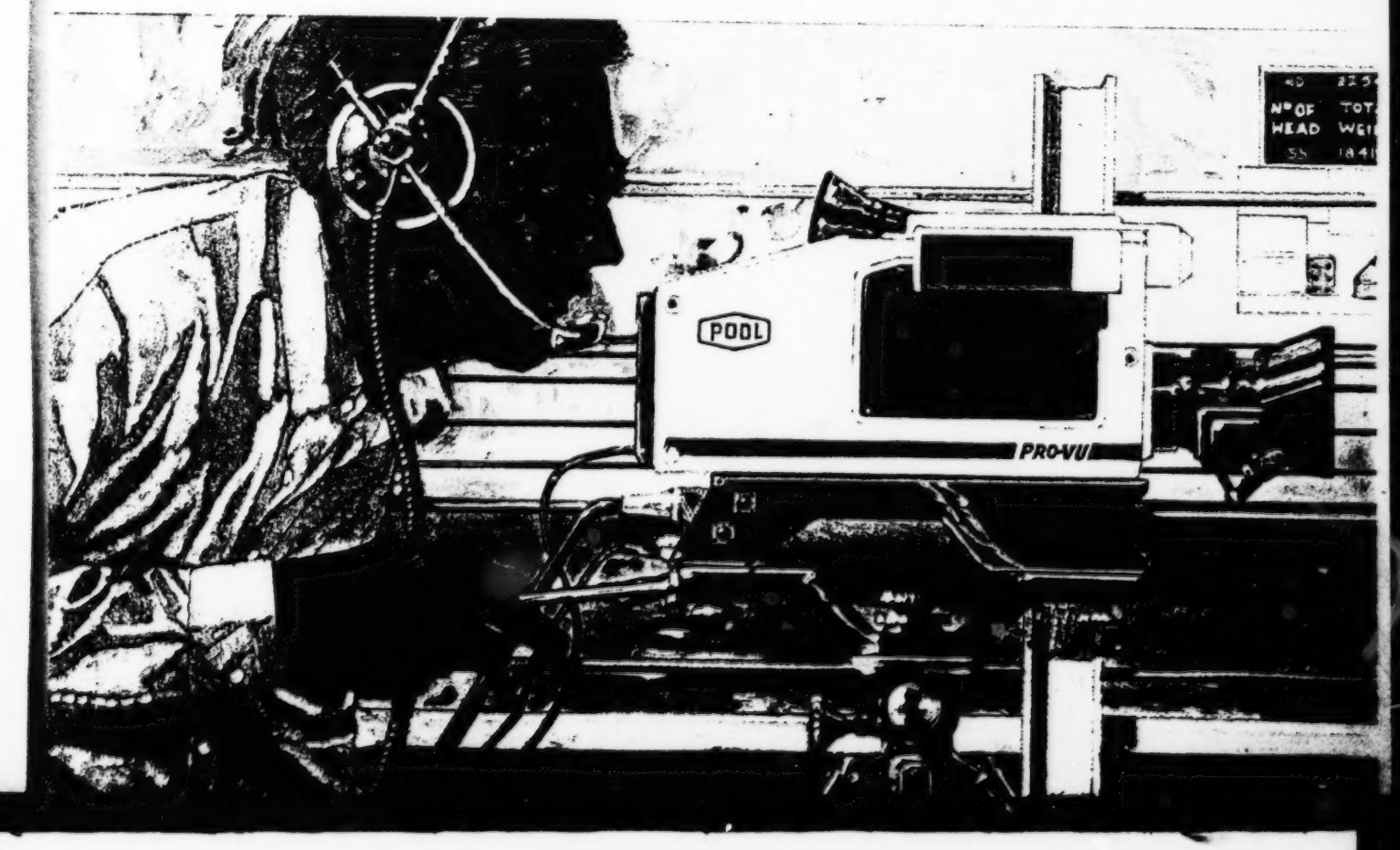
Saskatchewan Technical Institute. The participants were recruited from within the corporation as part of SaskTel's policy to use technological changes to provide employees with career development opportunities. The re-training program provided employees with additional skills required for new positions created within the Corporate Information Systems department to handle an increased workload.

The corporation's STEPPP (SaskTel Employees' Personal Problem Program) activity was expanded with the addition of a second coordinator and the opening of a second office. The new office in Saskatoon will be more convenient for north division employees who require assistance with personal problems and concerns. STEPPP has attracted enquiries from organizations across Canada interested in innovative employee assistance programs.

Community involvement

Community service has been a long-standing tradition for hundreds of SaskTel employees. Many are involved in a wide variety of volunteer organizations. Through employee charitable donations across the province, employees showed their concern for the less fortunate by donating generously to local United Way campaigns and other worthwhile organizations.

Also involved in improving the quality of life for many of the province's residents were members of the Saskatchewan Chapter of the Telephone Pioneers of America. More than 860 current long-service employees and 400 retired employees belong to the organization which is involved in nearly 40 ongoing community service projects. As the year ended, the Pioneers were busy



preparing to host the organization's national conference, the Region One Assembly, to be held from May 8-10, 1986 in Regina.

Early in 1985 SaskTel announced a grant of $350,000 to the University of Regina to enable it to continue to offer the only systems engineering program in Canada specializing in both communications and computer technology. The Electronic Information Systems Engineering program will offer Saskatchewan residents the opportunity to gain expertise in this fast growing and exciting field.

Expo 86

SaskTel has a dual involvement in Expo 86, the world exposition in Vancouver, May 2 to October 13, 1986.

The Hall of Innovation inside the Saskatchewan pavilion is being sponsored by SaskTel. A number of displays inside the hall, including a mileagemaker car, greenhouse gazebo, and fiber optic technology, pay tribute to the foresight, ingenuity, and resourcefulness of Saskatchewan residents.

As a member company, SaskTel is also participating in the Telecom Canada pavilion which features a 360-degree circle-vision theatre. Visitors to this pavilion will be surrounded by the sights and sounds of people across Canada as filmed for the project by Walt Disney Productions.

Facing page—Uniden cordless
Above—Cobra cordless

Below—Satellite links broadcast Saskatchewan Wheat Pool cattle auction sales live to competing buyers in other parts of Canada.

Financial highlights

The 1985 financial statements which follow reflect continued improvement in both operating results and the financial position of the corporation.

Operating revenues for 1985 totalled $423.7 million, up $31.6 million or 8.1 percent over 1984. The increase was primarily due to volume growth and increased participation in out-of-province settled revenues. Total operating revenues were reduced by a provision for uncollectibles of $1.1 million.

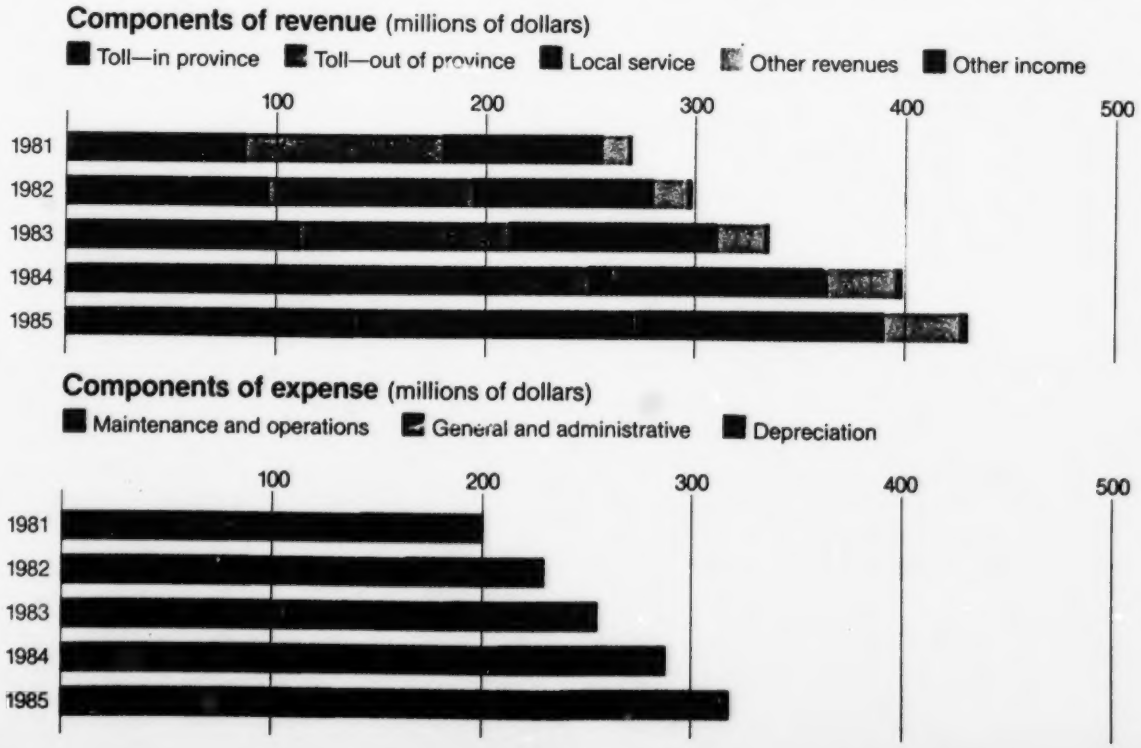
Long distance revenues of $271.2 million increased by $21.5 million or 8.6 percent over 1984. In-province calling accounted for $9.3 million or 7.4 percent of the increase with out-of-province toll revenues rising by $12.2 million or 9.9 percent.

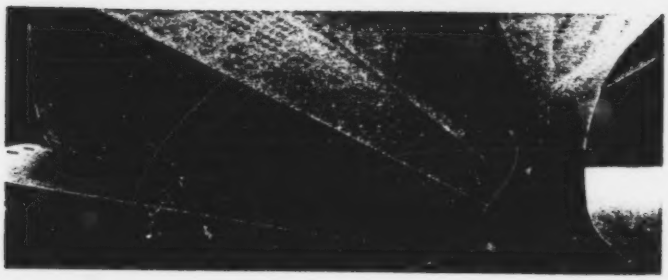
Local service revenues, consisting primarily of subscriber equipment rentals, service connection charges, coin telephone revenues, and local private line services totalled $117.8 million in 1985, an increase of $5.2 million or 4.6 percent over 1984.

Other operating revenues amounted to $35.8 million, up $3.8 million or 11.8 percent over 1984. Included in this revenue category are directory advertising, building and other rent revenues, cable television services, tier sales revenue, and subscriber late payment charges.

Operating expenses for the year amounted to $318.2 million, an increase of $30.5 million or 10.6 percent over 1984. Components contributing to this increase were added maintenance and operations costs of $15.7 million, additional depreciation charges of $.2 million, and additional general and administrative costs of $14.6 million.

The most significant factor in the increased maintenance expense, in addition to increases in the normal cost of doing business, is a change in accounting practice whereby effective January 1, 1985, telephone connections are expensed immediately rather than being capitalized and depreciated over the average period they remain in service. The modest





increase in depreciation is the complementary effect of this new accounting practice. Included in the increased general and administrative costs are the development and associated costs of several new mechanized systems.

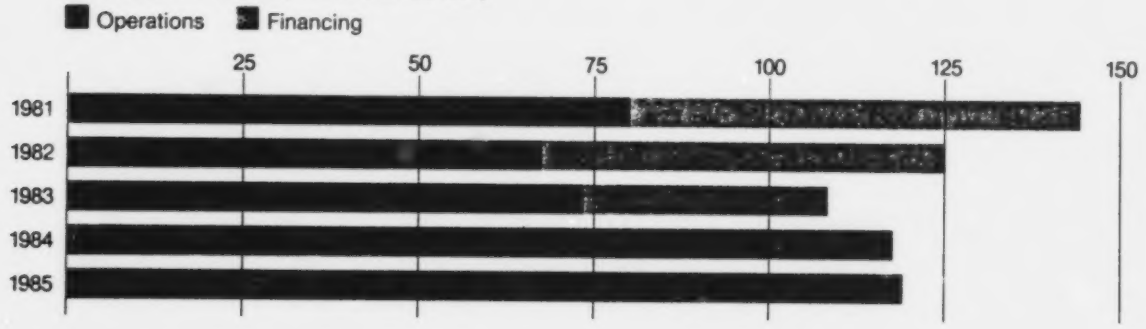
Other income of $3.2 million was up $.5 million or 17.0 percent over 1984 primarily due to increased financial income under sales-type leases.

Interest and related costs, net of interest charged construction and earnings on sinking funds and temporary investments, amounted to $71.7 million, an increase of $.2 million or .3 percent over 1984. Higher interest and other charges due to a depressed Canadian dollar in relation to the U.S. dollar, offset by higher sinking fund earnings, contributed to the net increase in costs.

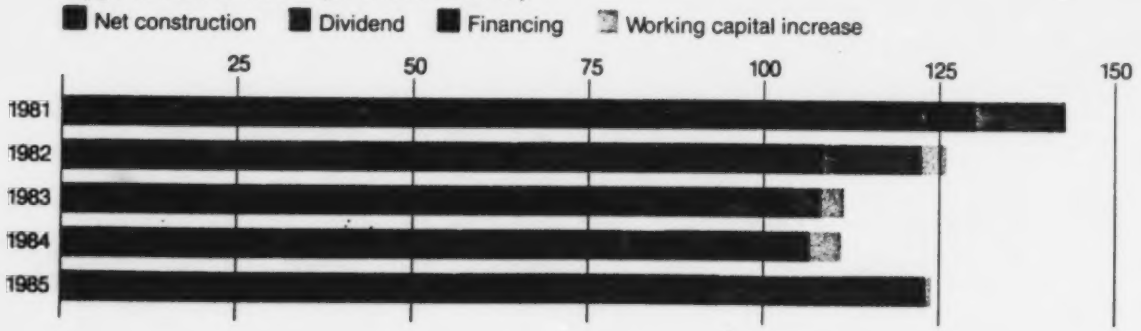
Net earnings for the year of $37.0 million represents a 4.4 percent rate of return on average capital employed. This compares with the rate achieved in 1984 of 4.3 percent and the average rate achieved over the ten-year period 1975 to 1984 of 4.1 percent. One half of the net earnings for 1985 has been declared as a dividend payable to the Crown Investments Corporation of Saskatchewan.

Cash flow from operations, financing, and construction activities in 1985 resulted in a $4.5 million reduction in our cash position at year end. Of significance, is that cash generated by operating activities was up $5.0 million from 1984 with net construction expenditures up by $13.7 million or 17 percent over 1984. As a result, the corporation's self-financing ratio on net construction expenditures was 108 percent in 1985 compared to 125 percent in 1984. Financing activities consisted of using $29.6 million of cash in excess of construction requirements for dividend payment and debt reduction which contributed to the debt equity ratio improvement from 79.3 percent in 1984 to 77.7 percent at the end of 1985.

Sources of cash (millions of dollars)



Application of cash (millions of dollars)



Ten-year record of service

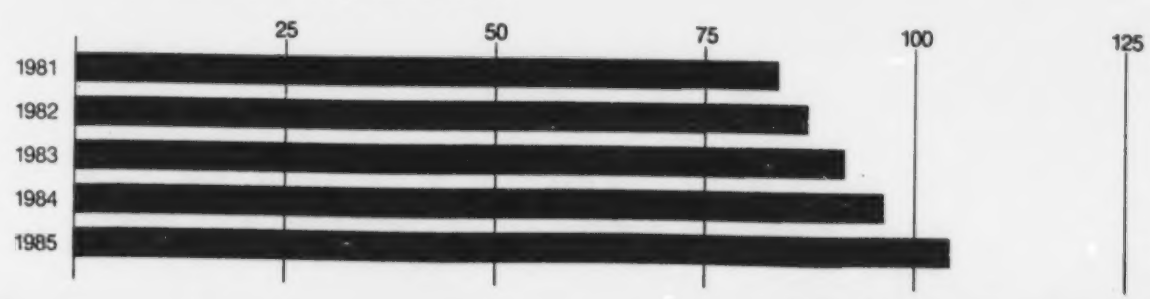
For the year ended December 31

	1985	1984	1983	1982
Network access services**	508,836	497,483	484,538	467,914
Telephones				
SaskTel owned*	724,439	711,465	695,964	677,963
Rural company owned (switched by SaskTel)*	1,633	1,744	2,002	2,222
Originated long distance messages (in thousands)				
Telephone	91,549	86,177	82,994	79,451
Data, and other voice services	12,802	10,208	8,931	7,742
Total messages	104,351	96,385	91,925	87,193
Finance (in thousands of dollars)				
Operating revenues	423,678	392,021	330,418	293,834
Operating expenses	318,194	287,705	255,533	229,313
Other income	3,161	2,701	2,118	1,879
Interest and related costs	71,661	71,417	65,029	58,581
Extraordinary items	—	—	—	—
Net earnings	36,984	35,600	11,974	7,819
Dividend	18,492	17,800	5,987	3,900
Gross construction expenditures	108,768	93,951	116,649	121,509
Property, plant, and equipment*	1,260,355	1,192,832	1,132,965	1,046,497
Long-term debt — gross*	760,385	752,406	714,741	712,868
Financial ratios				
Return on average capital employed	4.4%	4.3%	1.5%	1.1%
Debt as a percent of year-end capital*	77.7%	79.3%	81.2%	80.8%
Internally generated funds as a percent of net construction expenditures	107.7%	125.6%	72.8%	58.8%
Employees and payroll				
Number of employees*	4,458	4,382	4,400	4,578
Salaries earned (thousands of dollars)	147,908	138,528	131,946	124,040

** Represents each working facility having primary connection to our network as at December 31

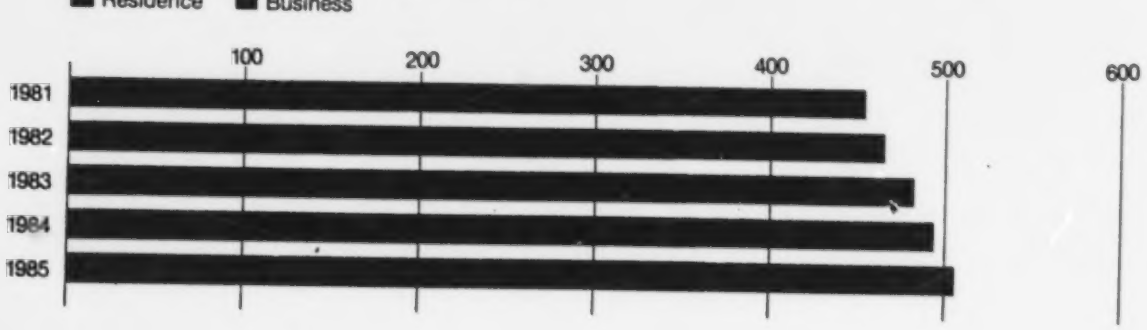
* At December 31

Long distance messages (in millions)



1981	1980	1979	1978	1977	1976
454,284	435,293	417,209	400,320	383,619	357,672
352,009	618,614	584,456	551,053	516,312	451,685
3,661	4,661	6,812	9,040	13,687	47,762
77,108	70,728	65,134	59,108	52,171	46,948
6,829	5,638	4,327	3,464	2,676	2,198
83,937	76,366	69,461	62,572	54,847	49,146
267,048	224,958	196,832	164,419	135,473	115,717
199,938	163,044	139,856	117,242	98,792	83,334
572	304	433	495	1,563	379
47,710	37,404	32,160	28,204	20,302	13,701
4,337	—	—	—	—	—
24,309	24,814	25,249	19,468	17,942	19,061
14,000	12,400	12,625	9,725	8,975	9,500
139,082	144,161	93,626	97,199	104,138	83,548
958,237	853,619	723,176	649,696	566,488	470,992
630,605	500,716	471,412	453,663	350,715	278,952
3.6%	4.2%	4.8%	4.2%	4.8%	6.2%
79.4%	78.7%	77.6%	78.4%	75.5%	73.0%
45.5%	41.6%	62.3%	46.2%	34.9%	36.7%
4,564	4,339	4,024	3,957	3,820	3,622
109,491	88,236	76,100	67,389	58,953	50,087

Network access services (in thousands)

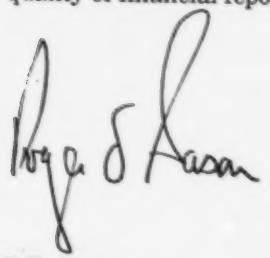


Management's responsibility for financial statements

The financial statements which follow have been prepared by management in conformity with accounting principles generally accepted in Canada and have been examined and approved by the Board of Directors. The financial information presented elsewhere in this annual report is consistent with that in the financial statements.

To ensure the integrity and objectivity of the financial data, management maintains a comprehensive system of internal controls including written policies and procedures, an organization structure that segregates duties, and a comprehensive internal audit program. These measures provide reasonable assurance that transactions are recorded and executed in compliance with legislation and required authority, that assets are properly safeguarded, and that reliable financial records are maintained.

The Board of Directors fulfills its responsibility with regard to the financial statements principally through its Audit Committee, consisting solely of outside directors, which meets periodically with management as well as with internal auditors and the Provincial Auditor. The latter, who reports to the Legislative Assembly, has free access to this committee to discuss his audit work and his opinion on adequacy of internal financial controls and the quality of financial reporting.



R.E. Bason
Vice President,
Administration

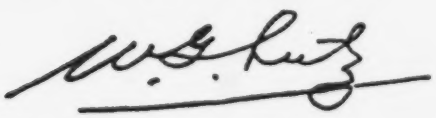
Regina, Saskatchewan
February 24, 1986

Auditor's report

To the members of
the Legislative Assembly
Province of Saskatchewan

I have examined the statement of financial position of Saskatchewan Telecommunications as at December 31, 1985 and the statements of operations and retained earnings and changes in cash position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of Saskatchewan Telecommunications as at December 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

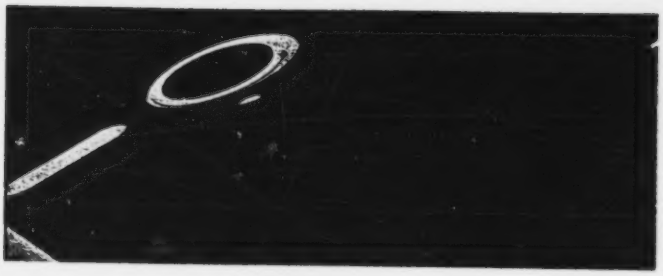


W.G. Lutz, F.C.A.
Provincial Auditor

Regina, Saskatchewan
February 5, 1986

Statement of operations and retained earnings

For the year ended December 31

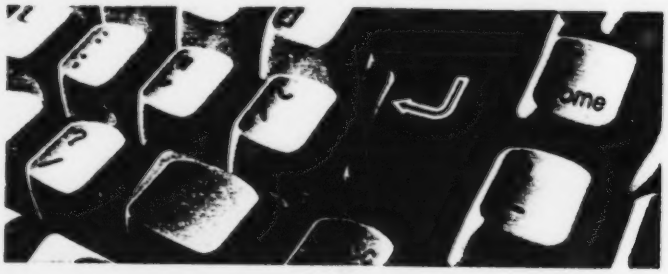


		1985	1984
		(Thousands of dollars)	
Operating revenues			
	Long distance service	**$271,214**	$249,659
	Local service	**117,817**	112,638
	Other	**35,794**	32,011
	Uncollectible operating revenues	**(1,147)**	(2,287)
		423,678	392,021
Operating expenses			
	Maintenance and operations	**130,205**	114,487
	Depreciation (Note 2)	**80,123**	79,907
	General and administrative	**107,866**	93,311
		318,194	287,705
Net operating revenue		**105,484**	104,316
	Other income	**3,161**	2,701
		108,645	107,017
Interest and related costs (Note 3)		**71,661**	71,417
Net earnings		**36,984**	35,600
	Retained earnings, beginning of year	**172,993**	155,193
		209,977	190,793
	Dividend	**18,492**	17,800
Retained earnings, end of year		**$191,485**	$172,993

See accompanying notes

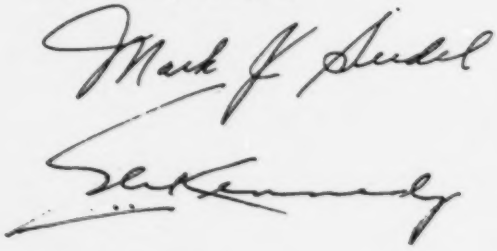
Statement of financial position

As at December 31



		1985	1984
		(Thousands of dollars)	
Assets			
	Property, plant, and equipment (Note 4)	**$796,498**	$781,723
	Investment — Telesat Canada (Note 5)	**999**	999
	Current assets		
	Cash and temporary cash investments – at cost	**2,447**	6,962
	Accounts receivable	**58,499**	53,764
	Prepayments	**3,011**	1,872
		63,957	62,598
	Investment in leases (Note 6)	**12,930**	9,751
	Deferred charges (Note 7)	**55,703**	47,130
		$930,087	$902,201
Liabilities and province's equity			
	Long-term debt (Note 8)	**$655,670**	$657,077
	Province's equity		
	Retained earnings	**191,485**	172,993
	Current liabilities		
	Accounts payable	**32,052**	27,424
	Notes payable (Note 9)	**5,000**	—
	Interest accrued	**15,798**	15,540
	Dividend payable	**18,492**	17,800
	Service billed in advance	**5,359**	4,981
	Current portion of long-term debt (Note 8)	**6,231**	6,386
		82,932	72,131
		$930,087	$902,201

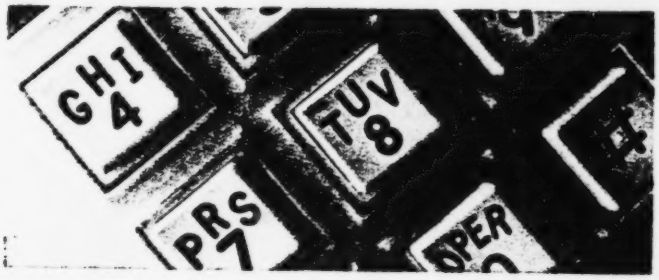
Approved by the board:



See accompanying notes

Statement of changes in cash position

For the year ended December 31



		1985	1984
		(Thousands of dollars)	
Cash from operations			
	Net earnings	$ 36,984	$ 35,600
	Add: Depreciation and other items not requiring or generating cash (net)	82,098	82,287
	Total from operations	119,082	117,887
	Net change in non-cash working capital items	(610)	(4,417)
	Cash provided by operating activities	118,472	113,470
Cash from financing			
	Proceeds from notes payable	5,000	—
	Proceeds from long-term debt	—	28,956
	Repayment of long-term debt	(16,788)	(49,806)
	Dividend payment	(17,800)	(5,987)
	Cash provided by (used in) financing activities	(29,588)	(26,837)
Cash for construction			
	Gross construction expenditures	(108,768)	(93,951)
	Change in material and supplies	(1,002)	(1,985)
	Net salvage, capital contributions, and other items not requiring cash	16,371	16,250
	Cash used in construction activity	(93,399)	(79,686)
	Net increase (decrease) in cash during the year	(4,515)	6,947
	Cash position at beginning of year	6,962	15
	Cash position at end of year	$ 2,447	$ 6,962

See accompanying notes

Notes to financial statements

Note 1 — Status of the corporation

The provincial telephone system, in operation since 1908 as a department of government, was established as a crown corporation on June 1, 1947 under the name of Saskatchewan Government Telephones. On April 1, 1969, pursuant to The Saskatchewan Government Telephones Change of Name Act, 1969, the corporation's name became Saskatchewan Telecommunications.

The corporation, under the provisions of its Act, constructs, maintains, and operates a provincial telecommunications system, provides telecommunications services, and participates in establishing, constructing, and operating a co-ordinated telecommunications system in Canada.

The corporation is subject to regulation under the terms of the Public Utilities Review Commission Act proclaimed in full force and effect December 16, 1982.

The financial results of the corporation are included in the consolidated financial statements of the Crown Investments Corporation of Saskatchewan.

Note 2 — Summary of significant accounting policies

Property, plant, and equipment

Property, plant, and equipment is recorded at original cost and includes materials, services, direct labour and associated benefit costs, which are readily identifiable and quantifiable with the construction activity. In addition, the corporation includes the cost of funds used to finance construction, based on the size and duration of the projects.

Depreciation

Depreciation is computed on the straight line equal life group method using rates as determined by a continuing program of engineering studies for each class of property in service.

When depreciable telephone property is retired, the original cost of such property, adjusted by any disposal proceeds and costs of removal, is charged to accumulated depreciation.

The composite depreciation rate on the average depreciable telecommunications property in service was 6.96 percent in 1985 (7.36 percent in 1984).

As at December 31, 1985, the ratio of accumulated depreciation to depreciable telecommunications property was 38.7 percent (36.2 percent in 1984).

Pension fund obligations

The corporation provides the following pension plans for its employees, total costs of which amounted to $11,122,000 in 1985 ($12,192,000 in 1984).

SaskTel Superannuation Plan

This closed benefit based plan applies only to those employees hired prior to October 1, 1977, who elected to remain in the plan.

SaskTel meets its financial obligation for employee superannuation allowances payable in the future by making regular payments into the SaskTel Superannuation Fund equal to the annual current service pension costs recorded by SaskTel. The costs are calculated at the actuarially determined rate necessary to provide for future superannuation benefits over the remaining working lives of the employees. The latest actuarial study as at December 31, 1984 used the *accrued benefit* method to determine value of liabilities and the *attained age* method for determining adequacy of the long-term funding rate. Results of this study indicated that the employer contribution rate of 177 percent of employee contributions over the next 12 years would be adequate to fully fund all future service benefits and amortize past service costs of $22,218,900.

Public Employees (government contributory) Superannuation Plan

This money purchase plan applies to all SaskTel employees hired on or after October 1, 1977. Employees hired prior to that date had the option, until October 1, 1978, of transferring to this plan. The pension costs to SaskTel under this plan are equal to the required employee contribution. SaskTel meets its financial obligations through regular monthly payments to the plan.

Cost of early retirement plan benefits

Benefit costs under the corporation's 1983 early retirement plan were being amortized, with the agreement of the Saskatchewan Public Utilities Review Commission, over a 24-month period commencing September, 1983. In 1985 the amount of $2,739,000 was expensed ($4,107,000 in 1984), completing the amortization of these costs.

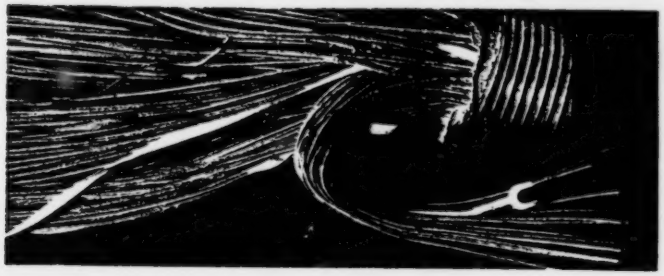
Gain on retirement of long-term debt before maturity

From time to time, long-term debt is retired prior to maturity through cancellation of the Province of Saskatchewan debentures held in the sinking fund. Any resulting gain is amortized on a straight-line basis over the remaining life of the debentures cancelled.

Foreign currency translations

Net long-term debt payable in foreign currency is stated in Canadian dollars at the foreign exchange rate prevailing at December 31. Foreign exchange gains or losses arising on translation of long-term debt are included in deferred charges and are amortized on a straight-line basis over the current year and the remaining life of the debt.

Interest accrued on long-term debt payable in foreign currency is recorded in Canadian dollars at the foreign exchange rate prevailing at year end. Interest paid during the year on long-term debt is translated at the currency rate prevailing at the interest payment date. Any gains or losses relating to these items are charged to income in the current period.



Sales-type lease accounting
Under this policy, sales revenue is recognized immediately and the present value of future lease payments not due within the next year are recorded as long-term receivables. Finance income is recognized as lease payments are received under contract terms and in a manner that produces a constant rate of return on lease investment.

Note 3 — Interest and related costs

	1985	1984
	(Thousands of dollars)	
Interest charges	$ 82,235	$ 79,884
Amortization of discount	650	598
Amortization of foreign exchange provisions	3,460	2,331
	86,345	82,813
Less: Sinking fund earnings	11,699	8,723
Gain on debt retirement	196	218
Interest charged to construction	1,471	1,292
Interest on temporary cash investments	1,318	1,163
	$ 71,661	$ 71,417

Note 4 — Property, plant, and equipment

	1985	1984
	(Thousands of dollars)	
Buildings, plant, and equipment	$1,199,505	$1,136,758
Land	27,336	27,304
Plant under construction	18,746	15,004
Materials and supplies	14,768	13,766
	1,260,355	1,192,832
Less: Accumulated depreciation	463,857	411,109
	$ 796,498	$ 781,723

Note 5 — Investment in Telesat Canada

This investment represents 99,900 no par value common shares of Telesat Canada at an issue price of $10 per share.

Note 6 — Investment in leases

Finance income from sales-type leases amounted to $1,953,000 in 1985 ($1,447,000 in 1984) with the corporation's net investment as at December 31, composed of net minimum lease payments and unearned finance income, as follows:

	1985	1984
	(Thousands of dollars)	
Total minimum lease payments receivable	$23,589	$18,532
Less: Unearned finance income	7,817	7,042
	15,772	11,490
Less: Current portion included in accounts receivable	2,842	1,739
Investment in leases	$12,930	$ 9,751

Note 7 — Deferred charges

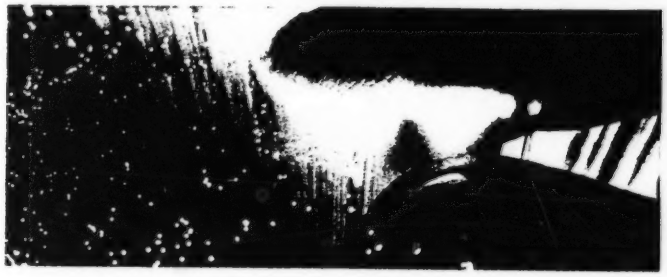
	1985	1984
	(Thousands of dollars)	
Applicable to long-term debt:		
Unamortized discount	$ 5,786	$ 6,436
Unamortized unrealized net foreign currency losses	50,404	38,638
	56,190	45,074
Less: Unamortized gain on retirements before maturity	487	683
	55,703	44,391
Unamortized early retirement plan benefit costs	—	2,739
	$55,703	$47,130

Note 8 — Long-term debt Province of Saskatchewan

Percent	Issue date	Due date	Recorded debt outstanding 1985		1984
			(Thousands of dollars)		
5.500	July 15, 1964	July 15, 1985	—		2,607
5.500	Dec. 1, 1964	Dec. 1, 1985	—		5,186
5.650	1966	1986	7,401	(c)	7,401
13.375	April 1, 1981	April 1, 1986	1,045		75,000
5.698	1967	1987	2,682	(c)	2,682
6.000	Mar. 1, 1967	Mar. 1, 1987	2,928		2,928
6.549	1968	1988	2,000	(c)	2,000
7.541	1969	1989	10,100	(c)	10,100
8.093	1970	1990	9,806	(c)	9,806
4.875	Oct. 1, 1965	Oct. 1, 1990	8,250	(b)	7,798
7.125	1971	1991	9,461	(c)	9,461
16.375	Oct. 1, 1981	Oct. 1, 1991	69,915	(b)	66,085
7.528	1972	1992	15,093	(c)	15,093
7.689	1973	1993	8,644	(c)	8,644
13.375	Apr. 1, 1981	Apr. 1, 1996	73,955		—
7.750	Feb. 15, 1973	Feb. 15, 1998	5,000		5,000
8.250	Dec. 3, 1973	Dec. 3, 1998	15,000		15,000
10.000	Dec. 2, 1974	Dec. 2, 1999	25,000		25,000
11.750	June 2, 1980	June 2, 2000	25,000		25,000
9.875	Nov. 3, 1975	Nov. 3, 2000	2,222		2,222
10.250	Apr. 1, 1976	Apr. 1, 2001	25,000		25,000
9.000	Feb. 1, 1977	Feb. 1, 2002	25,000		25,000
13.000	Dec. 1, 1982	Dec. 1, 2002	75,000		75,000
12.250	Mar. 30, 1983	Mar. 30, 2003	25,000		25,000
9.500	June 15, 1978	June 15, 2003	30,000		30,000
11.650	1983	2003	8,182	(c)	8,182
12.966	1984	2004	28,956	(c)	28,956
10.000	May 15, 1979	May 15, 2004	40,000		40,000
8.700	Nov. 15, 1976	Nov. 15, 2006	69,915	(b)	66,085
8.625	May 15, 1977	May 15, 2007	69,915	(b)	66,085
9.250	April 27, 1978	April 15, 2008	69,915	(b)	66,085
			760,385		752,406
Less:	Equity in sinking funds		98,484		88,943
	Due within one year		6,231		6,386
Net long-term debt — December 31			$ 655,670		$ 657,077

(a) All long-term debt is unconditionally guaranteed as to principal and interest by the government of the Province of Saskatchewan.

(b) Represents long-term debt repayable in United States dollars having a U.S. face value of



$205,900,000 converted to $225,599,000 Canadian at the time of issue. It is recorded in Canadian dollar equivalent of $287,910,000 based on the foreign exchange rate prevailing as at December 31, 1985 of 1.3983 (1984—1.3217).

(c) Long-term debt totalling $102,325,000 received through the Canada Pension Plan under 20-year terms, is subject to redemption at six months notice.

(d) Under conditions attached to most long-term debt, SaskTel is required to pay annually into sinking funds, administered by the Province of Saskatchewan, amounts ranging from 1 percent to 3 percent of the original value of long-term debt received. The equity shown includes investments denominated in U.S. dollars held in the fund having a U S. dollar value of $9,793,000 recorded at $13,693,000 Canadian dollar equivalent based on the foreign exchange rate prevailing as at December 31, 1985.

(e) Total sinking fund installments and long-term debt repayments (net of sinking fund equity) on outstanding debt over the next five years are as follows:

1986 — $6,231,000
1987 — $5,906,000
1988 — $5,815,000
1989 — $7,848,000
1990 — $9,310,000

Note 9 — Notes payable

Notes payable represents interim capital financing arranged under established lines of credit. As at December 31, 1985 there were $5 million of outstanding notes payable to the Province of Saskatchewan bearing interest at the rate of 9.35 percent.

Note 10 — Commitments

As at December 31, 1985, SaskTel was committed in the amount of approximately $17 million for construction materials, equipment, and services related to switching modernization, building construction, and computer equipment.

Note 11 — Related party transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan crown-controlled departments, agencies and corporations with which the corporation is related.

Account balances resulting from these transactions are included in the statement of financial position and are settled on normal trade terms.

Other amounts due to (from) related parties and the terms of settlements are described separately in the financial statements and the notes thereto.

Note 12 — Comparative information

Figures for 1984 have been reclassified where necessary to conform to the 1985 presentation. In particular, tier sales revenue and cost of sales have been reclassified from other income to operating revenue and expense.

Board of directors

Garth Kennedy [1,3,4]
Chairman
Regina

Hon. J. Gary Lane
Regina

Helen Krozser
Markinch

Lyle Taylor [2]
Melfort

Doug Friend [3,4]
Rosetown

Jack McFaull [3]
Saskatoon

Ted Urness [1,4]
Saskatoon

Bette Harris [1]
Nipawin

Mark Seidel [1]
Humboldt

Bertha Vanderhaeghe [2]
Esterhazy

Committees of the board

[1] Audit committee
[2] Corporate contributions committee
[3] Management resources and compensation committee
[4] Marketing committee

Art Watt [2]
Craik

Corporate directory

Executive officers

Frank A. Degenstein*
President

Roger E. Bason*
Vice President
Administration

S. Fraser Lee*
Vice President
Network Services

Barry E. Roberts*
Vice President
Personnel, Supplies,
and Services

Pieter Van Vliet*
Vice President
Customer Services

Operating officers

William A. Bruce
Assistant Vice President
Buildings, Supplies, and
Services

Harold E. Freberg
Assistant Vice President
Customer Services (North)

John A. Funk
Assistant Vice President
Corporate Information
Systems

Ronald N. Gallant
Assistant Vice President
Comptroller

David M. Harvey
Assistant Vice President
Planning and
Development

B. William Lambert
Assistant Vice President
Network Services

Jack T. Lax
Assistant Vice President
Personnel

John G. McGregor
Assistant Vice President
Marketing

John C. Meldrum*
General Counsel and
Corporate Secretary

H. James Osborne*
Assistant Vice President
Public Affairs

George A. Spencer*
Assistant to the President

Norman F. Stepan
Assistant Vice President
Customer Services (South)

Kenneth H. Thompson
Assistant Vice President
Operator Services

*Executive committee

Corporate profile

Saskatchewan Telecommunications (SaskTel) is a provincially-owned crown corporation responsible for providing local, long distance, and related data and image telecommunications services within the province of Saskatchewan. Similar services, on a national and international level, are also provided by SaskTel through the corporation's association with Telecom Canada.

The corporation employs approximately 4,500 people, the majority located in Regina (head office) and Saskatoon. Employee groups are also stationed throughout the province in 60 other communities.

SaskTel dates back to 1908 when the Department of Railways, Telegraphs and Telephones was established by an act of the Saskatchewan legislature. In 1947, the organization became a crown corporation known as Saskatchewan Government Telephones (SGT). The name was changed to Saskatchewan Telecommunications in 1969 to reflect the growing diversification of its many products and services, and has been known as SaskTel since that time.

SaskTel is committed to meeting the ever-changing information handling requirements of all Saskatchewan residents, now and in the future.

As an innovative leader in the telecommunications industry, the corporation continues to provide quality, reasonably priced services by applying the latest technological advances in the most economical way.

Additional copies of SaskTel's annual report are available from:

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Public Affairs Department
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Regina, Saskatchewan
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ISSN 0080-6633